

Exhibit F

**FEMA letter to AAFAF
Dated January 9, 2018**

JAN 09 2018



FEMA

Mr. Gerardo J. Portela Franco
Executive Director and Chairman of the Board
Fiscal Agency and Financial Advisory Authority
Government of Puerto Rico
Roberto Sánchez Vilella Government Center
De Diego Avenue, Stop 22
San Juan, Puerto Rico, 00907

Dear Mr. Portela Franco:

This letter summarizes the Federal Government's policy for providing Community Disaster Loan (CDL) Program assistance to the Commonwealth of Puerto Rico, its instrumentalities, and municipalities as a result of Hurricanes Irma (DR-4336-PR) and Maria (DR-4339-PR).

The purpose of the CDL Program is to provide loans to eligible recipients that have suffered a substantial loss of tax and other revenues as a result of a major disaster and that demonstrate a need for Federal financial assistance to perform essential governmental functions. The *Additional Supplemental Appropriations for Disaster Relief Requirements Act of 2017*, signed into law by the President on October 26, 2017, included \$4.9 billion for CDLs to assist the Commonwealth of Puerto Rico, the U.S. Virgin Islands, and local governments in Florida and Texas in maintaining essential services as a result of Hurricanes Harvey, Irma, and Maria.

Implementing the CDL Program in the Commonwealth must be undertaken in a manner that is compatible with the ongoing financial restructuring of the Commonwealth's financial obligations, including pursuant to the Puerto Rico Oversight, Management, and Economic Stability Act (PROMESA). For example, pursuant to PROMESA the Financial Oversight and Management Board (FOMB) must approve any new debt incurred by the Commonwealth or by any of its instrumentalities that the FOMB has designated as covered territorial instrumentalities under PROMESA, including the Puerto Rico Electric Power Authority (PREPA) and the Puerto Rico Aqueduct and Sewer Authority (PRASA). Title III of PROMESA also established a bankruptcy-like restructuring process for Puerto Rico and its covered territorial instrumentalities. As you are aware, the Commonwealth and PREPA have filed for Title III restructuring; PRASA has not.

As a result of Hurricanes Irma and Maria, the Commonwealth, PREPA, and PRASA projected in late September 2017 that they would exhaust their operating funds on or about October 31, 2017. However, as of December 29, 2017, the Commonwealth's central cash balance was approximately \$1.7 billion. It is our understanding that the higher-than-expected central cash balance three months after the hurricanes resulted from greater-than-expected receipts, strategic management of payables, and the structure of relief funds from FEMA and other federal agencies, among other factors, although a review of the underlying detail is still underway. In addition to its central cash balance, on December 18, 2017, the Commonwealth released a report indicating that \$6.875 billion in unrestricted and restricted cash was on deposit in over 800 accounts across all Commonwealth governmental entities. Despite these Commonwealth cash balances, the Commonwealth now indicates that PREPA

and PRASA have an imminent need for liquidity in January 2018, and, as a result, each entity has applied for a CDL to cover operating expenditures.

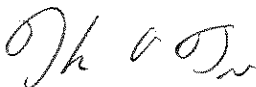
Because the Commonwealth's central cash balance, as publicly reported, has consistently exceeded \$1.5 billion in the months following the hurricanes, and considering the implications of the reported \$6.875 billion of total cash across the Commonwealth, the Federal Government will institute, as a matter of policy, a Cash Balance Policy that will determine the timing of CDLs to the Commonwealth and its instrumentalities, including PREPA and PRASA. Under this Cash Balance Policy, funds will be provided through the CDL Program when the Commonwealth's central cash balance decreases to a certain level. This Cash Balance Policy level will be determined by the Federal Government in consultation with the Commonwealth and the FOMB.

The current posture of the Federal Government is to disburse CDL program financing directly to the Commonwealth, which could then sub-lend to its various entities (including PREPA and PRASA), although this approach may be revised over time. Subsidiary borrowers will be expected to comply with reporting, repayment, and collateral requirements that apply to the primary borrower. Unless the Cash Balance Policy level is reached, however, the Commonwealth will need to support its own liquidity needs and those of PREPA and PRASA.

Notwithstanding the above policy, local governments (as such term is defined in 42 U.S.C. § 5122(8)) in Puerto Rico, including the 78 municipalities, will be eligible to apply directly for CDLs independent of the Commonwealth under the traditional terms and conditions of Section 417 of the Robert T. Stafford Disaster Relief and Emergency Assistance Act, 42 U.S.C. § 5184 (irrespective of the cash balance of the Commonwealth). Under these terms, a local government demonstrating a substantial loss of revenues may receive a streamlined CDL up to 25 percent of its annual budget, subject to a \$5 million cap. FEMA will make arrangements to meet directly with the local governments and their management associations the week of January 15, 2018, in Puerto Rico to facilitate applications to the CDL Program on the most timely basis possible consistent with program terms and requirements. If it is determined that a local government should require assistance beyond the \$5 million cap, the Federal Government will consider providing additional financing under different terms and conditions, as appropriate.

FEMA and the Department of Treasury look forward to continuing to work with the Commonwealth of Puerto Rico and its instrumentalities and local governments to ensure funding is available for operating expenses to perform governmental functions while respecting the PROMESA Title III proceedings, the statutory authorities granted to the FOMB under PROMESA, and the overall fiscal condition of the Commonwealth and its instrumentalities and local governments.

Respectfully,



Alex Amparo
Assistant Administrator Recovery Directorate
Federal Emergency Management Agency



Gary Grippo
Deputy Assistant Secretary for Public Finance
U. S. Department of Treasury

cc: Governor Ricardo Rosselló Nevares, Commonwealth of Puerto Rico
Financial Oversight and Management Board, Commonwealth of Puerto Rico
Puerto Rico State Agency for Emergency and Disaster Management
U.S. Office of Management and Budget